

**Central Liquidity Facility
Credit Union Homeowners Affordability Relief Program (CU HARP)
Allocation Process and Formula
December 9, 2008**

I. *General.*

- a. The CU HARP Offering Amount will be \$2 billion. This offering must be distributed among all natural person credit unions (*NPCUs*) that wish to participate in an equitable manner, particularly where the demand for participation exceeds the \$2 billion amount. This document describes the allocation process and formula.
- b. Each NPCU that wishes to participate in the CU HARP must participate at a level of at least \$1million (i.e., the *Minimum Participation Level*, or *Min PL*). The CLF has set this Min PL amount by balancing the need for maximum NPCU access to, and participation in, the CU HARP, with the need to ensure that the number of participants does not grow to a level that renders the CU HARP too unwieldy to administer in a timely and effective manner.
- c. NPCUs applying to participate may request to participate in the CU HARP at some higher level than the Min PL (i.e., the *Maximum Participation Request*, or *Max PR*). The amount the NPCU will ultimately participate at (i.e., the *Actual Participation Amount*, or *Actual PA*) will range somewhere from the Min PL to the Max PR, inclusive. The Agent Group Representative (*AGR*) will determine each applicant's Actual PA by the using the application process and allocation rules described below.

II. *Summary of Application Process.*

- a. Each NPCU desiring to participate in the CU HARP must submit a timely application to a corporate credit union. The application will be made on a form provided by the AGR and must include, at a minimum, information about the applicant's creditworthiness, the applicant's collateral, the number of first mortgage loans that it owns that are 30 or more days delinquent as of 9/30/2008, the outstanding principal balance on those delinquent mortgage loans, and the potential effect of any requested participation in the CU HARP and the Credit Union System Investment Program on the applicant's net worth ratio. The applicant NPCU will also state its Max PR. The application must acknowledge that the applicant will accept an Actual PA, as determined by the AGR, anywhere in the range from the Min PL to the Max PR.

- b. Corporate credit unions will immediately forward all applications they receive to the AGR, and the AGR will immediately forward copies of the applications to the CLF. The CLF will analyze the credit worthiness, collateral, the dollar amount of delinquent first mortgage loan, and the net worth ratio issues for each applicant. As a result of this analysis, the CLF may adjust the applicant's designated Max PR downward (i.e., the *Adjusted Max PR*).¹ If an applicant's Adjusted Max PR is less than the Min PL, the applicant will not be considered qualified to participate in the CU HARP and the application will not be processed further. The CLF will notify the AGR as soon as possible of the Adjusted Max PR for each applicant. The AGR will then proceed to make the CU HARP allocation for all qualified applicants under the rules described below.

III. *CU HARP Allocation Rules.* The allocation rules for qualified applicants depends on whether the offering is undersubscribed, heavily oversubscribed, or moderately oversubscribed, as described below.

- a. *Undersubscribed Offering.* If the sum of the Adjusted Max PRs for all qualified applicants is less than the CU HARP Offering Amount (\$2 billion), the offering is undersubscribed. The AGR will make award to each qualified applicant at the applicant's Adjusted Max PR level. The CLF will designate which corporate credit unions will issue notes to which qualified applicants and inform the AGR. The amount of the subscription offering not subscribed to will not be advanced by the CLF.
- b. *Heavily Oversubscribed Offering.* If the number of qualified applicants times the Min PL equals or exceeds the CU HARP Offering Amount (\$2 billion), the offering is heavily oversubscribed. In this case, some qualified applicants will be excluded from participation in the offering. To determine the number of applicants that will participate, the AGR will divide the offering amount (\$2 billion) by the Min PL, and then select at random, using a selection process approved by the CLF, that same number of qualified applicants to participate in the offering. Each selected applicant will receive an Actual PA equal to the Min PL. Again, the CLF will designate which corporate credit unions will issue notes to which qualified applicants, and inform the AGR. Those applicants not selected for participation will receive priority in future CU HARP offerings, if any, that are heavily oversubscribed.
- c. *Moderately Oversubscribed Offering.* If the offering is neither

¹ In no event will the adjusted maximum PR exceed the outstanding principal balance of first mortgage loans that are 30 or more days delinquent as of 9/30/2008. This dollar amount is the sum of the entries for account codes 713A, 714A, 751, and 771.

undersubscribed nor heavily oversubscribed, it will be considered moderately oversubscribed and the allocation will be made under this section. All qualified applicants will receive an Actual PA calculated as the sum of two numbers: the Min PL and a Supplemental Participation Amount (*Supplemental PA*). The AGR will calculate each applicant's Supplemental PA as follows.

- i. Multiply the number of qualified applicants by the Min PL, and subtract that from the CU HARP Offering Amount (\$2 billion). This difference is the Remaining Offering Amount (*ROA*). The remaining steps describe how the ROA will be divided among the qualified applicants.
- ii. Subtract the Min PL from each applicant's Adjusted Max PR. This difference is the applicants' Adjusted Remaining Request (*ARR*).
- iii. Sum the ARR's for all qualified applicants. This sum is the Aggregate Adjusted Remaining Requests (*Aggregate ARR*).
- iv. Calculate the ratio of each applicant's ARR to the Aggregate ARR. This ratio is the applicant's Remaining Request Ratio (*RRR*).
- v. Calculate each applicant's supplemental PA by multiplying the ROA by the applicant's RRR.
- vi. The AGR will add the applicant's supplemental PA and the Min PL to determine the applicant's Actual PA. Again, the CLF will designate which corporate credit unions will issue notes to which qualified applicants, and inform the AGR.